

Public Oversight Hearing

On

**The Progress of the Department of Housing and Community Development in
Improving its Internal Operations and
Program Outcomes**

Before

**The Committee on Economic Development
Harold Brazil, Chairman
Council of the District of Columbia**



**Testimony of Stanley Jackson
Director
Department of Housing and Community Development**

Thursday, June 6, 2002

GOOD AFTERNOON CHAIRMAN BRAZIL AND MEMBERS OF THE ECONOMIC DEVELOPMENT COMMITTEE. I AM STANLEY JACKSON, DIRECTOR OF THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT. HERE AT THE TABLE WITH ME ARE: HENRY MOSLEY, CHIEF FINANCIAL OFFICER; ROBERT MULDERIG, DEPUTY DIRECTOR FOR RESIDENTIAL AND COMMUNITY SERVICES; WILMA MATTHIAS, DIRECTOR OF THE OFFICE OF PROGRAM MONITORING; AND LAWRENCE CAGER, OUR NEW DEPUTY DIRECTOR FOR THE DEVELOPMENT FINANCE DIVISION. OTHER MEMBERS OF MY SENIOR MANAGEMENT TEAM ARE IN THE AUDIENCE AND PREPARED TO RESPOND TO YOUR QUESTIONS.

I AM PLEASED TO BE HERE TODAY TO REPORT ON SIGNIFICANT PROGRESS IN IMPROVING THE MANAGEMENT AND OPERATIONS OF THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (REFERRED TO AS DHCD OR THE DEPARTMENT). I HAVE TAKEN STEPS TO IMPROVE INTERNAL AND EXTERNAL OPERATIONS, MANAGEMENT AND MONITORING TO ASSURE THAT:

- 1. PUBLIC FUNDS ARE USED IN A TIMELY MANNER FOR
INTENDED AND ALLOWED PURPOSES;**
- 2. PERFORMANCE MEASURES ARE ATTACHED TO PROJECTS
FUNDED;**
- 3. REGULAR INTERNAL AND EXTERNAL MONITORING ARE
CARRIED OUT BY PROGRAM STAFF AND BY THE OFFICE OF
PROGRAM MONITORING; AND**
- 4. MEASURES ARE TAKEN TO QUICKLY CORRECT DEFICIENCIES
AND TO PROTECT THE PUBLIC'S INTEREST**

**ON MAY 1, 2002, I SENT TO MEMBERS OF THE COUNCIL, DHCD'S
"PROGRESS REPORT ON MANAGEMENT IMPROVEMENTS AND
PROGRAM ACTIVITIES" THAT INCLUDED THE DEPARTMENT'S
PROGRAM GOALS AND BUDGETS, INVESTMENT STRATEGIES, AND
MONITORING AND MANAGEMENT INITIATIVES EITHER
COMPLETED OR UNDERWAY, WHICH WILL BE DISCUSSED IN MY
TESTIMONY TODAY.**

**IN ADDITION, I WILL PROVIDE AN OVERVIEW OF OUR PROGRESS
ON THE SPECIFIC ISSUES RAISED BY THE COMMITTEE, AND TURN**

**TO MY MANAGERS TO PROVIDE THE DETAILS OF IMPROVEMENTS
WITHIN THEIR DIVISIONS AND AREAS OF RESPONSIBILITY.**

**THE *FIRST SET OF ISSUES* THE COUNCIL RAISED IS RELATED TO
SUB-RECIPIENTS, TO WHOM THE DEPARTMENT GRANTS FUNDS
TO CARRY OUT PROJECTS THAT BENEFIT LOW-TO-MODERATE
INCOME RESIDENTS. SUB-RECIPIENTS INCLUDE: COMMUNITY
DEVELOPMENT CORPORATIONS (CDC), COMMUNITY BASED
ORGANIZATIONS (CBO) AND OTHER NON-PROFIT
ORGANIZATIONS.**

**ISSUE #1: ESTABLISHMENT OF CONTRACTUAL PERFORMANCE
MEASURES WITH EACH GRANT OF FUNDS.**

**PROGRESS TO DATE: PROGRAM REFORMS INITIATED IN FISCAL
YEAR 2002 REQUIRE THAT ALL GRANT AGREEMENTS INCLUDE
SPECIFIC PERFORMANCE MEASURES. WE HAVE DESIGNED THESE
MEASURES TO ENSURE THAT THERE IS NO AMBIGUITY IN
DETERMINING WHETHER THE GRANTEES HAVE MET THEIR
OBJECTIVES UNDER OUR AGREEMENTS. DHCD ESTABLISHED THE
MEASURES AND REQUESTED THAT SUB-RECIPIENTS SUBMIT**

SPECIFIC WORK PLANS WITH TIMEFRAMES FOR ACHIEVING THOSE MEASURES. THE MEASURES AND WORK PLANS WERE INCORPORATED INTO THE SIGNED AGREEMENTS.

ISSUE #2: IMPLEMENTATION OF MEASURES TO MONITOR GRANTEE USE OF FUNDS.

PROGRESS TO DATE: IN THE RESIDENTIAL AND COMMUNITY SERVICES DIVISION, THE DEPARTMENT INSTITUTED MONTHLY AND QUARTERLY ON-SITE MONITORING BY PROGRAM STAFF, ALONG WITH THE OFFICE OF PROGRAM MONITORING (OPM). PROGRAM STAFF VISITS EVERY GRANTEE WITH A MIXTURE OF SCHEDULED AND UNSCHEDULED SITE OBSERVATIONS, TO WITNESS PROGRESS ON SPECIFIED OBJECTIVES. GRANTEES THAT REQUIRE SPECIAL ATTENTION, ARE VISITED TWICE A MONTH, TO ENSURE THAT THEY ARE RECEIVING THE LEVEL OF REVIEW AND SUPPORT THAT SATISFIES THE DEPARTMENT'S MANDATES REGARDING THEIR PERFORMANCE. PROGRAM AND FINANCIAL STAFF TOGETHER WITH OPM STAFF, PERFORM OFFICIAL MONITORING AT THE END OF EACH CALENDAR QUARTER PERFORMANCE PERIOD. SUB-RECIPIENT REVIEWS

INCLUDE: FINANCIAL MANAGEMENT, REGULATORY COMPLIANCE, AND PROGRAM PERFORMANCE. OPM RECENTLY COMPLETED ITS 1ST QUARTER MONITORING AND FOUND THAT, IN GENERAL, GRANTEES ARE PERFORMING IN ACCORDANCE WITH THE GRANT AGREEMENTS.

IN THE DEVELOPMENT FINANCE DIVISION, ALL LOAN AGREEMENTS CONTAIN A SCOPE OF WORK AND TIMETABLES. CONSTRUCTION PROJECTS ARE INSPECTED BY PROGRAM STAFF REGULARLY, WITH EACH SUBMITTED PAYMENT REQUEST (USUALLY MONTHLY). STAFF DETERMINES WHETHER CONSTRUCTION BEING INVOICED HAS BEEN COMPLETED, AND IF THE PAYROLL FOR CONSTRUCTION EMPLOYEES HAS BEEN SUBMITTED, AND IS IN ORDER BEFORE ANY PAYMENT IS APPROVED OR CHECK ISSUED.

ADDITIONALLY, THE OFFICE OF PROGRAM MONITORING HAS EXPANDED ITS INTERNAL MONITORING TO COVER PROGRAMS AND SUB-RECIPIENTS IN THE DEVELOPMENT FINANCE DIVISION, AS WELL AS THOSE IN RESIDENTIAL AND COMMUNITY SERVICES.

OPM RECENTLY COMPLETED AN INTERNAL REVIEW OF THE CONSTRUCTION ASSISTANCE PROGRAM IN THE DEVELOPMENT FINANCE DIVISION—INCLUDING 10 PROJECTS; AND IS OBTAINING CONTRACTUAL ASSISTANCE FOR REVIEWS OF THE EMERGENCY SHELTER GRANT (ESG) AND THE DEPARTMENT’S LOW INCOME HOUSING TAX CREDIT PROGRAM (LIHTC).

ISSUE #3: IMPLEMENTATION OF MEASURES TO ENSURE GRANTEE COMPLIANCE WITH PERFORMANCE MEASURES, INCLUDING THE ISSUING OF SPECIFIC WRITTEN PROCEDURES TO RESPOND TO NON-COMPLIANCE.

PROGRESS TO DATE: ALL DEPARTMENT AGREEMENTS WITH GRANTEES CONTAIN SPECIFIC LANGUAGE REGARDING ACTIONS TO BE TAKEN IF A GRANTEE IS NOT IN COMPLIANCE WITH AN AGREEMENT, INCLUDING THE PERFORMANCE MEASURES. THE DEPARTMENT HAS DRAFTED POLICIES AND PROCEDURES TO MANAGE NON-COMPLIANCE BY SUB-GRANTEES, AND IS IN THE PROCESS OF FINALIZING THESE GUIDELINES.

FURTHER, ON CONSTRUCTION-RELATED PROJECTS, NO PAYMENTS ARE ISSUED IF CONSTRUCTION HAS NOT BEEN COMPLETED IN ACCORDANCE WITH THE REQUIREMENTS IN THE SCOPE OF WORK CONTAINED IN THE AGREEMENT. A 10% CONSTRUCTION RETAINAGE IS WITHHELD THROUGHOUT THE PROJECT TO COVER PAYMENT OF ANY LABOR ISSUES AND UNSATISFACTORY CONSTRUCTION. THE “RETAINAGE” IS NOT DISBURSED UNTIL ALL CONSTRUCTION AND LABOR ISSUES HAVE BEEN RESOLVED. REMEDIES AND CURE PERIODS ARE SPECIFIED IN DETAIL IN ALL DEVELOPMENT FINANCE GRANT/LOAN AGREEMENTS.

THE *SECOND SET OF ISSUES* RAISED BY THE COUNCIL IS RELATED TO IMPROVEMENTS IN DHCD’S INTERNAL MANAGEMENT SYSTEMS TO MONITOR COMPLIANCE WITH FEDERAL SPENDING MANDATES AND TO TRACK FINANCIAL MATTERS. SPECIFICALLY THESE ARE:

ISSUE #1: IMPLEMENTATION OF MEASURES TO ENSURE THE TIMELY EXPENDITURE OF FEDERAL FUNDS BY THE

DEPARTMENT, AND ESTABLISHMENT OF A COMPUTERIZED SYSTEM TO TRACK EACH GRANT OF FUNDS.

PROGRESS UPDATE: I HAVE TAKEN ACTION TO IMPLEMENT THE NEW DATA TRACKING SYSTEM FROM THE HOUSING DATA SYSTEMS (HDS) AND I HAVE PROVIDED TRAINING FOR ALL STAFF. FURTHERMORE, I HOLD SUPERVISORS RESPONSIBLE FOR ENSURING THAT NECESSARY DATA IS ENTERED ON A TIMELY BASIS. THE HDS SYSTEM ALLOWS US TO UPLOAD PROJECT MANAGEMENT DATA DIRECTLY TO HUD'S INTEGRATED DISBURSEMENT INFORMATION SYSTEM (IDIS) DATA SYSTEM.

ADDITIONALLY, I NOW RECEIVE WEEKLY SPENDING REPORTS FROM THE COMPTROLLER THAT ARE DISCUSSED WITH DIVISION MANAGERS TO PROMOTE REGULAR EVALUATION OF PROJECTS IN THE DEVELOPMENT PIPELINE AND MONITORING OF PROJECT DRAWDOWN SCHEDULES TO MEET THE HUD TIMETABLE. AT THIS POINT, WE ARE ON TARGET TO MEET HUD REQUIREMENTS.

ISSUE #2: THE COUNCIL REQUESTED INFORMATION ON DHCD'S IMPLEMENTATION OF A MODERN AND FULLY COMPUTERIZED

FINANCIAL ACCOUNTING SYSTEM, AND A COMPUTER SYSTEM TO PROVIDE UP-TO-DATE INFORMATION ON EXPENDITURES AND COMMITMENTS OF FEDERAL FUNDS.

PROGRESS UPDATE: DHCD UTILIZES THE SYSTEM OF ACCOUNTING AND REPORTING (SOAR) SOFTWARE, WHICH ALL DISTRICT AGENCIES ARE REQUIRED TO USE IN ORDER TO PROCESS DAILY ACCOUNTING TRANSACTIONS. THE SOAR SYSTEM IS A STATE OF THE ART ACCOUNTING SYSTEM UTILIZED THROUGHOUT THE UNITED STATES AT BOTH THE STATE AND MUNICIPAL LEVELS.

THE NEW HDS SYSTEM IS BEING IMPLEMENTED TO PROVIDE SPECIFIC PROJECT MANAGEMENT INFORMATION WITHIN THE ENVIRONMENT AND STRUCTURE OF THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT. THIS WILL ALLOW PROJECT MANAGERS SIMPLIFIED ACCESS TO SPECIFIC PROJECT INFORMATION THAT IS NOT ACCESSIBLE ON THE SOAR SYSTEM.

FINALLY, THE COUNCIL REQUESTED INFORMATION REGARDING DHCD'S IMPROVEMENTS IN THE AREA OF ITS HUMAN CAPITAL,

SPECIFICALLY THE EXPANSION OF EMPLOYEE TRAINING, ASSIGNMENT OF STAFF TO “BEST-SUITED” POSITIONS, AND THE HIRING OF ADDITIONAL EMPLOYEES FOR SECTIONS OF THE DEPARTMENT THAT ARE UNDER-STAFFED OR LACK ADEQUATE EXPERTISE.

PROGRESS UPDATE: I HAVE ALREADY REPORTED ADDING AN EXPERIENCED HUMAN RESOURCES MANAGER AND A TRAINING SPECIALIST TO THE DHCD STAFF. THROUGH THEIR EFFORTS, A LABOR-MANAGEMENT PARTNERSHIP COMMITTEE HAS BEEN ESTABLISHED AND MEETS REGULARLY. ADDITIONALLY, ALL DEPARTMENT POSITIONS HAVE WRITTEN JOB DESCRIPTIONS AND NEW PERFORMANCE STANDARDS. STAFF EVALUATIONS ARE UNDERWAY AS WELL AS MANY LEVELS AND DIFFERENT KINDS OF TRAINING, RANGING FROM SPECIFIC FEDERAL PROGRAMS TO CUSTOMER SERVICE HAVE BEEN AND CONTINUE TO BE IMPLEMENTED.

I WOULD NOW LIKE TO ADDRESS SPECIFIC PERSONNEL CONCERNS RAISED BY THE COUNCIL, WHICH INCLUDED THE FOLLOWING:

A: ASSIGNMENT OF STAFF TO THE BEST-SUITED POSITIONS

PROGRESS TO DATE: WE HAVE BEGUN A RE-ENGINEERING EFFORT FOR THE DEPARTMENT. RE-ENGINEERING IS HELPING US TO DESIGN NEW OR BETTER WAYS OF DOING BUSINESS, WAYS MORE COMPATIBLE WITH THE EVER-CHANGING DEMANDS OF OUR MARKET. THROUGH THIS PROCESS, I HAVE BEEN ABLE TO ADDRESS UNMET NEEDS THROUGH BETTER DEPLOYMENT OF STAFF. FOR EXAMPLE, I AM RE-ALIGNING OUR OFFICE OF STRATEGY AND COMMUNICATIONS TO CREATE TWO MORE TIGHTLY-FOCUSED UNITS THAT DRAW ON DIFFERENT STAFF STRENGTHS TO ACCOMPLISH THEIR RESPECTIVE MISSIONS. THE NEW AREA OF STRATEGIC PLANNING AND ANALYSIS WILL HAVE STAFF DEVOTED TO CORRELATING SPENDING WITH OPERATIONS AND ALIGNING WITH BOTH DEPARTMENT GOALS AND CITYWIDE STRATEGIC OBJECTIVES. I WILL BE ABLE TO SUPPLY THE REQUISITE SKILLS AND EXPERIENCE FOR THESE FUNCTIONS FROM WITHIN EXISTING STAFF. THE NEW OFFICE OF COMMUNICATIONS, OUTREACH AND LEGISLATIVE AFFAIRS WILL BE ABLE TO FOCUS ON PRO-ACTIVE DISSEMINATION OF PROGRAM INFORMATION, EXPANDED COMMUNITY CONTACTS,

COORDINATION OF LEGISLATIVE INITIATIVES WITH THE EXECUTIVE BRANCH AND MEDIA RELATIONS. WE ARE CONTINUING THIS PROCESS OF RE-ASSESSING DEPARTMENT NEEDS AND RE-ALIGNING STAFF TO MAXIMIZE PRODUCTIVITY AND PRESERVE VALUABLE RESOURCES.

B. DHCD HIRING

PROGRESS TO DATE: OUR HIRING EFFORTS HAVE PRODUCED GOOD RESULTS, BUT ARE NOT COMPLETE. WE ARE BECOMING MORE AGGRESSIVE IN OUR RECRUITING, EXPANDING OUR ADVERTISING, SEEKING EMPLOYEE REFERRALS, UTILIZING JOB POSTINGS, WALK-INS, CALL-INS, WRITE-INS AND PROFESSIONAL NETWORKING.

WE HAVE FILLED THE POSITIONS OF CHIEF OF STAFF AND DEPUTY DIRECTOR FOR DEVELOPMENT FINANCE. WE HAVE IDENTIFIED CANDIDATES FOR THE ASSISTANT CHIEF FOR THE RESIDENTIAL AND COMMUNITY SERVICES DIVISION AND THE SUPERVISORY COMPLIANCE SPECIALIST (AUDITOR). WE ARE ACTIVELY RECRUITING FOR TWO COMPLIANCE SPECIALISTS

(AUDITORS), A LOAN SPECIALIST, AND AN ECONOMIC DEVELOPMENT SPECIALIST.

C: CONTRACTING:

PROGRESS TO DATE: I HAVE ADDED ADDITIONAL CAPACITY BY CONTRACTING WITH OUTSIDE SERVICE PROVIDERS TO ASSIST US WITH FUNCTIONS SUCH AS:

- * UNDERWRITING SERVICES TO ENABLE THE DEVELOPMENT FINANCE DIVISION TO MEET ITS PROJECT-FUNDING GOALS WHILE SIMULTANEOUSLY PROVIDING UNDERWRITING TRAINING FOR EXISTING PROJECT MANAGERS; AND**
- * DEVELOPMENT OF NEW LOAN PRODUCTS AND DRAFT NOTICES OF FUNDING AVAILABILITY (NOFA).**

IN CONCLUSION, I WOULD LIKE TO REITERATE THAT I AM PLEASED WITH THE DEPARTMENT'S PROGRESS THUS FAR, BUT NOT CONTENT TO REST HERE. WE WILL CONTINUE TO RE-ENGINEER AND IMPROVE THE DEPARTMENT, TO ACHIEVE OUR GOAL OF EXCELLENCE IN MEETING THE DISTRICT'S HOUSING

**AND COMMUNITY REVITALIZATION NEEDS FOR THE BENEFIT OF
LOW- AND MODERATE-INCOME RESIDENTS.**

**THIS CONCLUDES MY OVERVIEW. MY SENIOR MANAGERS AND I
WILL BE PLEASED TO ELABORATE AND TO ANSWER ANY
QUESTIONS YOU MAY HAVE.**